# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative


## FISCAL IMPACT STATEMENT

**LS 6577** | **NOTE PREPARED:** Jan 30, 2012
**BILL NUMBER:** SB 147 | **BILL AMENDED:** Jan 24, 2012

**SUBJECT:** Local Government Financial Matters.

**FIRST AUTHOR:** Sen. Holdman | **BILL STATUS:** As Passed Senate
**FIRST SPONSOR:** Rep. Truitt

**FUNDS AFFECTED:** **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local


**Summary of Legislation:** (Amended) This bill has the following provisions:

*Public Funds*: The bill changes the requirement for deposits of public funds by a political subdivision to a depository located in the county in which the political subdivision has its principal office, unless there are fewer than three (3) eligible depositories, in which case the political subdivision may designate eligible depositories with a principal office or branch in any adjoining county. It removes the requirement to use more than one depository if deposits exceed $100,000.

*Electronic Mail*: The bill specifies that a county may provide notices of property tax information by electronic mail that provides an Internet link for the recipient to obtain the information. It requires the county treasurer to record whether an electronic mail to a person was undeliverable.

*Monthly Payment Plan:* The bill specifies that a monthly payment plan may include an automatic monthly deduction from a taxpayer's financial institution account or monthly payments made by written instrument or electronically.

*Payment Cycle*: The bill specifies that the payment cycle for a property tax payment plan may be up to 12 months and may begin in December of the year preceding the year the taxes would be due under the May and November installment method and end in the following November. The bill clarifies that penalties do not apply if the amount due under a monthly payment plan are paid by the due date in May or November that is designated by the taxpayer.

*Tax Sale:* The bill provides that a real property parcel is not to be listed on a tax sale notice if the delinquent

property taxes or special assessments are $25 or less.

*Interest Rate:* The bill provides that the interest rate owed on property tax refunds or when a taxpayer owes more property taxes because of an assessment increase after the tax due date, an appeal, or when collection has been enjoined by court order is equal to the rate established by the commissioner of the department of state revenue for refunds on excess state tax payments.

*Training:* The bill requires county treasurers and county auditors to attend training sessions approved by the State Board of Accounts. It provides that money in the county elected officials training fund may be used to provide this training. (Under current law, the fund is used to provide training to county recorders and surveyors.)

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** *Summary:*

*(1) Public Funds:* (Revised) Permitting political subdivisions to use only one financial institution for deposits greater than $100,000 may reduce the administrative costs of managing their deposits. Under current law, a political subdivision has to deposit funds that exceed $100,000 in more than one financial institution if the financial institutions are designated as depositories by the local board of finance. Current law permits the political subdivision to use one depository if deposits do not exceed $100,000.

(2) *Electronic Mail*: The fiscal impact of this provision would depend on local action. Implementation costs include an initial cost for programming changes and ongoing operating costs for software support. The amount of potential savings would depend on the number of taxpayers who would ultimately choose this option to receive their tax bills.

*(3)* Monthly Payment Plan: This provision gives counties an added tool to serve their customers. The fiscal impact would depend on local action. Counties have the option of implementing or not implementing this provision depending on its cost effectiveness.

*(4) Interest Rate-Refunds:* In any year, under this provision, the amount of the increase or decrease in interest payments relative to current law that counties would have to pay would depend on how much the interest rate set by the Department of State Revenue (DOR) differs from the current rate of 4%. If it is higher than 4%, interest payments would increase over what they would have been under current law; if it is less than 4%, interest payments would decrease. For CY 2012, the rate set by the DOR is 4% so there should be no fiscal impact for this calendar year.

*(5) Training:* Since the amount of money in the each county's fund varies depending on the number of transactions the recorder processes, the impact would depend on whether the fund in a particular county can support training for treasurers and auditors in addition to county recorders and surveyors. Based on the current requirement for treasurers and auditors and the cost for each classroom course (currently $75), the cost per individual would be approximately $600 over a three-year period (less if the some of the classes can be taken via the web), not including per diem and traveling costs. There would also be additional costs for continuing education courses.

*Additional Details:*

*Electronic Mail*: Under current law, a county has the option of transmitting property tax bills to taxpayers by electronic mail. This bill would permit a county to transmit a link to the tax bill rather than the tax bill itself (electronic billing).

This provision gives counties an added tool to serve their customers. Allen County has already implemented electronic billing, and Marion County has received approval to do so. Officials in both counties indicated that it would be more cost-effective to provide a link to the tax bill than to transmit the statement via email.

Allen County officials estimate the development cost of the electronic billing software at approximately $16,000. For the first billing cycle in 2011, a little over 3,000 bills (out of a total of about 180,000) were transmitted using the system for a total cost savings of approximately $2,300 (or $0.78 per tax bill).

*Monthly Payment Plan:* Currently, the Marion County Treasurer's office will transmit a tax bill via email to the taxpayer at the taxpayer's request. To implement electronic billing, the office estimates that the initial set up would cost approximately $16,000 with an annual recurring fee of approximately $4,250 for software support. Once fully implemented, the system is expected to produce a net savings of about $18,000 a year (about $0.54 per tax bill). This assumes that approximately 9% of the taxpayers (about 33,400) would eventually choose electronic billing.

Under current law, a county may permit a taxpayer to pay property taxes by automatic monthly deductions from an account of the taxpayer held by a financial institution or some other monthly installment plan. This bill would also permit the county to accept monthly payments either by a written instrument (such as a check or cashier's check) or electronically.

A few counties (e.g., Allen, Marion, Wayne) have a monthly payment plan through a financial institution. Marion County currently restricts this option to taxpayers who are eligible for the homestead deduction. Wayne County's plan covers ten months (taxpayers do not pay an installment in May or November, which are used to reconcile the property tax account). Many counties also utilize an online billing system (using credit/debit cards) through a third party, but it is usually for a one-time payment only. The taxpayer has to pay a fee for this service, usually a percentage of the payment.

(Revised) *Interest Rate:* Under current law, the interest rate used to compute interest payments to a taxpayer who has been awarded a property tax refund is fixed at 4%. For payments to the county when a taxpayer owes more property taxes because of an assessment increase after the tax due date, an appeal, or when collection has been enjoined by court order, the interest rate is 10%. Under this bill, the interest rate used would be the rate established by the commissioner of the DOR for refunds on excess tax payments. The rate for CY 2012 is 4%.

*Training*: Under current law, the County Elected Officials Training fund is used to provide training to county recorders and surveyors. This bill requires county treasurers and auditors, elected after November 6, 2012, to attend training sessions developed by the Association of Indiana Counties (AIC) and approved by the State Board of Accounts. The training fund would be used to finance this training. Treasurers and auditors would be required to complete a minimum of 15 hours of training within one year and 40 hours within three years.

The County Elected Officials Training Fund was established in July 2011 to finance the training for county recorders and surveyors. The money for the fund comes from $0.50 of the $2 county identification security protection fee the recorder charges for recording or filing a document. While the amount of money in the fund is unknown at this time, estimates indicate that for the 77 counties for which data are available a total of approximately of $250,000 should have been deposited in their funds in 2011.

The AIC has developed an educational program called AIC Institute for Excellence in County Government. This program gives officials and county employees access to training geared specifically to county government. Program participants must complete 30 credit hours of study within two consecutive years in order to qualify for AIC Institute certification. The association also has continuing education certification open to those who have previously completed their initial certification.

The classes are offered in two formats: webinar and classroom. Costs are approximately $60 for the web-based class ($90 for nonmembers) and $75 for the classroom ($115 for nonmembers). The classes are five credit hours each.

**Explanation of Local Revenues:** Summary:

(1) *Monthly Payment Plan:* Payment Cycle: Under this provision, the county would be receiving monthly payments rather than payments twice a year. As a result, it may need to borrow less funds for its operational use, thereby lowering its interest costs. The amount of savings would depend on the amount of monthly payments made by taxpayers.

*(2) Tax Sale:* (Revised) The fiscal impact would depend on the number of parcels whose delinquent taxes do not exceed $25. Under this provision, a real property parcel is not to be listed on a tax sale notice if the delinquent property taxes or special assessments are $25 or less. As a minimum, the county, at least in the short term, would have to forgo the income from the sale of some of these parcels. This amount is expected to be small relative to the total value of parcels on the certified list.

*(3) Interest Rate:* (Revised) Under this provision, the amount of the increase or decrease in interest on property tax payments relative to current law that counties would receive would depend on how much the interest rate set by the DOR differs from the current rate of 10%. If it is higher than 10%, interest payments would increase over what they would have been under current law; if it is less than 10%, interest payments would decrease. For CY 2012, the rate set by the DOR is 4%, so there would be a 60% decrease in interest payments that counties would receive in this year.

*Additional Details:*

*Payment Cycle*: The bill specifies that the payment cycle for a property tax payment plan may be up to 12 months and may begin in December of the year preceding the year the taxes would be due under the May and November installment method and end in the following November. Under the bill, the taxpayer would not be penalized if the taxpayer makes the monthly payments on time.

**State Agencies Affected:** Department of State Revenue; State Board of Accounts.

**Local Agencies Affected:** County auditors; County treasurers, Political Subdivisions.

**Information Sources:** Marion County's website: http://www.indy.gov/eGov/County/Treasurer; Wayne County's website: http://www.co.wayne.in.us/treasurer; Local Government Annual Financial Reports:

http://www.in.gov/itp/annual_reports/; Association of Indiana Counties website: http://www.indianacounties.org; Cindy Land, Administrative Deputy, Marion County, 317-327-4038; Susan Orth, Allen County Treasurer, 260-449-7693; Indiana Department of Revenue, Departmental Notice #3, "Interest Rates for Calendar Year 2012", November 2011.

**Fiscal Analyst:** David Lusan, 317-232-9592.